

**UMASIPALATI MHLONTLO**  
**MHLONTLO MUNICIPALITY**

**2012/2013 BUDGET AND MTREF**

## **SCHEDULE A**

### **ANNUAL BUDGET OF MHLONTLO MUNICIPALITY AND SUPPORTING DOCUMENTATION**

**2012/13 TO 2014/15  
MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS**

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### Abbreviations and Acronyms

AMR	Automated Meter Reading	MIG	Municipal Infrastructure Grant
ASGISA	Accelerated and Shared Growth Initiative	MMC	Member of Mayoral Committee
BPC	Budget Planning Committee	MPRA	Municipal Properties Rates Act
CBD	Central Business District	MSA	Municipal Systems Act
CFO	Chief Financial Officer	MTEF	Medium-term Expenditure Framework
CM	District Municipality Manager	MTREF	Medium-term Revenue and Expenditure Framework
CPI	Consumer Price Index	NERSA	National Electricity Regulator of South Africa
CRRF	Capital Replacement Reserve Fund	NGO	Non-Governmental organisations
DBSA	Development Bank of South Africa	NKPIs	National Key Performance Indicators
DoRA	Division of Revenue Act	NT	National Treasury
DWA	Department of Water Affairs	OHS	Occupational Health and Safety
EE	Employment Equity	OPMS	Organisational Performance Management System
EEDSM	Energy Efficiency Demand Side Management	PBO	Public Benefit Organisations
EM	Executive Mayor	PHC	Provincial Health Care
FBS	Free basic services	PMS	Performance Management System
GAMAP	Generally Accepted Municipal Accounting Practice	PPE	Property Plant and Equipment
GDP	Gross domestic product Strategy	PPP	Public Private Partnership
GFS	Government Financial Statistics	PT	Provincial Treasury
GRAP	General Recognised Accounting Practice	PTIS	Public Transport Infrastructure System
HR	Human Resources	RG	Restructuring Grant
HSRC	Human Science Research Council	RSC	Regional Services Council
IDP	Integrated Development Strategy	SALGA	South African Local Government Association
INEP	Integrated National Electrification Program	SAPS	South African Police Service
IT	Information Technology	SDBIP	Service Delivery Budget Implementation Plan
kℓ	kilolitre	SMME	Small Micro and Medium Enterprises
km	kilometre		
KPA	Key Performance Area		
KPI	Key Performance Indicator		
kWh	kilowatt		
ℓ	litre		
LED	Local Economic Development		
MEC	Member of the Executive Committee		
MFMA	Municipal Financial Management Act		

## MHLONTLO MUNICIPALITY 2012/2013 MTREF

### **1.1 MHLONTLO LOCAL MAYORS BUDGET SPEECH**

Honourable Speaker  
Executive members  
Councillors  
Traditional Leaders  
Council of Churches  
Community at Large  
Officials

I greet you all in the name of service delivery.

The functions of the Council centres around promoting the interests of its ratepayers, employees residents and customers by striving to render the highest quality of services, advancing the interests of its employees by providing safe, secure and satisfying working environments.

A further important challenge facing Council is to improve the financial position of Mhlontlo Local Municipality. In particular an improvement in the collection of long outstanding debtor's balances is critical if the Council is to achieve its goals. The unfortunate part is that the unemployment rate in the area has worsened causing many residents not to be able to pay for services. Our ability to render services will be threatened in our financial status and we hope that workable solutions will be found soon challenge.

As we strive towards impacting rural livelihood for the better in local Municipality of Mhlontlo, amongst the compliance issues is the submission of the MTREF budget as prescribed in section 126 of the Local Government: Municipal Finance Management Act 56 of 2003

I therefore submit 2012/13 Budget. The Council remains committed in improving its service delivery even though our budget is limited as the municipality is solely depending on grants and hoping to meeting the challenges it faces and hopefully in future years, I will be able to report positively on the progress we have made in this regard.

Following are the major activities that the municipality will be engaged in in the 2012/2013 financial year.

- Electrification of the households without electricity.
- Ensure the construction of roads.
- Alleviation of poverty through: Free Basic Services to the Indigent communities.
- As well as LED projects.

As much as some of other services are under the OR Tambo District Municipality, Mhlontlo Municipality will ensure that working relations are improved so as to improve service delivery.

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In conclusion I would like to ensure our community that though the budget is limited but Mhlontlo municipality will remain improving its service delivery. I also would like express my appreciation to my fellow Council members, the Municipal Manager, The Chief Financial Officer and all other staff for their support, cooperation and hard work during the preparation of the budget as well as IDP.

.....  
**Cllr T.N. Sabisa**  
**Executive Mayor – Mhlontlo Municipality**

## 1.2 COUNCIL RESOLUTIONS

On 29 March 2012 the Council of Mhlontlo Municipality met in the Council Chambers to consider the first draft of the annual budget of the municipality for the financial year 2012/13. The Council was to note the budget:

1. The Council of Mhlontlo Municipality, acting in terms of section 16 and 24 of the Municipal Finance Management Act, (Act 56 of 2003) notes:
  - 1.1. The annual budget of the municipality for the financial year 2012/13 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 11 on page 17;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 12 on page 19;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 13 on page 20; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 14 on page 21.
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 15 on page 22;
    - 1.2.2. Budgeted Cash Flows as contained in Table 16 on page 23;
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 17 on page 24;
    - 1.2.4. Asset management as contained in Table 18 on page 25; and
    - 1.2.5. Basic service delivery measurement as contained in Table 19 on page 27.
2. The Council of Mhlontlo Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) note the tariffs with effect from 1 July 2012.
3. To give proper effect to the municipality's annual budget, it must further be noted that:
  - 3.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

### **1.3 EXECUTIVE SUMMARY**

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality's remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality as required by section 23, 24 and 25 of Municipal Systems act (act 32 of 2000) undertook a strategic planning session with a sole mandate of developmental oriented planning so as to have a Integrated Developmental plan with implementable strategies and prioritisation of projects in compliance with section 29 of Municipal Systems act (34 of 2000). Alignment of strategic objectives, priorities and budget was undertaken. The draft IDP has been tabled to the council and further consultations with community, IGR structures and other stakeholders will be undertaken.

#### **1.3.1 The Budget Process**

The 2012/13 to 2014/15 Budget preparation commenced in August 2011 after Council approved a timetable for the IDP and Budget preparation process.

The Budget comprises both Operating and Capital Budgets, which is a requirement of the Constitution and the Municipal Finance Management Act (MFMA).

An overview of the Operating and Capital Budgets respectively, with high level tables, will provide an overall picture of the Municipality's finances. The municipality has committed itself in ensuring that it implements its turnaround strategy of clean audit by 2014 .

One of the objectives of the budget timetable is to ensure integration between the development of the Integrated Development Plan (IDP) and the Budget. The IDP is the strategic plan of the Municipality and it is critical that the Budget enables the achievement of the IDP objectives. Table 3 illustrates the link between the IDP and Budget.

#### **1.3.2 Guidelines**

The assumptions and principles applied in the development of this Budget are based upon guidelines received from National and Provincial Treasury using Circulars 51, 54, 58 and 59; regulatory institutions such as the National Electricity Regulator of South Africa (NERSA); the South African Local Government Bargaining Council and SALGA .

The IDP's strategic focus areas informed the development of the Budget, in addition to assessing the relative capacity to implement the Budget, taking affordability considerations into account. The aforementioned guidelines were considered appropriate to inform the development of the Budget.

As a strategy the following guidelines were also used to compile the 2012/13 to 2014/15 Operating and Capital budgets:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP.

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- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- An assessment of the relative capacity to implement the Budget.
- No budget allocation has been made to programmes and projects, unless the respective programme and project plans have been submitted by the relevant Directors.
- The need to enhance the municipality's revenue base.

### **1.3.3 Budget assumptions**

#### **1.3.3.1 General inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2012/13 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in the cost of remuneration. Employee related costs comprise 36% of total operating expenditure in the 2012/13 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

#### **1.3.3.2 Collection rate for revenue services**

The rate of revenue collection is currently expressed as a percentage (95%) of annual billings. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

#### **1.3.3.4 Salary increases**

The collective agreement regarding salaries/wages came into operation on 1 July 2009 and shall remain in force until 30 June 2012. It has been capped at 7.5% as per SALGA Bargaining Council

#### **1.3.3.5 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions.

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### **1.3.4 Operating Budget**

The Operating Budget totals R118 million, which funds the continued provision of services provided by the Municipality.

Funding is obtained from various sources, the major sources being service charges such as Licensing , refuse collection and disposal (1%), property rates (4%), grants and subsidies received from National and Provincial Governments (92%) and other income at (3%).

In order to support the 2012/13 Operating Budget, the following increase in rates and service charges have been proposed, with effect from 1 July 2012:

**TABLE 1 : EC 156 Mhlontlo Rates and Tariff increases**

	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Rates	4%	4%	4%
Refuse	2%	2%	2%

The municipality's own revenue base is very limited. The growth in the property market is stunted as a large proportion of the municipal area is rural, with very limited infrastructure that is ageing and dilapidating. Our current operating budget cannot handle the need to address infrastructure maintenance and backlogs. This requires substantial cash resources. The presidential intervention is the current solution at this point. In relation to staffing requirements, budget provisions are set aside on an annual basis, in order to fill vacant positions critical to service delivery. The 2012/13 Budget has provisions for repairing plant and machinery. This fleet will be operational and will assist in improving infrastructure maintenance levels.

### **1.3.5 Free Basic Services**

The municipality currently provides and has budgeted for the following benefits to registered indigent households:

- Electricity: A subsidy of fifty (50) units of electricity per property per month to registered households will apply.
- Alternative energy (paraffin) which is 20L per house hold will be applied for the duration of 2012/2013 financial year.
- Refuse Removal: A subsidy, not more than the applicable tariff for the 2012/13 financial year, will be applied for the duration of the financial year.

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In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

**Table 2 : EC 156 Mhlontlo Consolidated Overview of the 2011/12 MTREF**

Description	Adjusted Budget	2012/13 Medium Term Revenue & Expenditure Framework		
		Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
High Level Outcome of Funding Compliance				
Total Operating Revenue	106460	118060	124458	135282
Total Operating Expenditure	97213	104006	109592	116643
Surplus/(Deficit) Budgeted Operating Statement	9247	14024	14876	18639
Total Capital Funding	<b>52593</b>	<b>64536</b>	76888	<b>89509</b>

**Total operating revenue** has increased by 10 % or R11.6 million for the 2012/13 financial year when compared to the 2011/12 Adjusted Budget. This was a result of large increases in the anticipated operational transfers (R20m) in the 2012/2013 financial year.

**Total operating expenditure** for the 2012/13 financial year has been appropriated at R104 million and translates into a budgeted surplus of R14 million.

**Total Capital Budget** for 2012/13 totals R64,5 million and is more than the adjusted budget for 2011/12 of R52.5 million by 23%. This is largely attributable to the increase in anticipated capital transfers from R43m to R63m in the 2012/13 financial year. The Capital Program is funded through revenue generated from operations (21%) and Government grants (79%). Grants and subsidies are mainly MIG and INEP.

### **1.3.6 MFMA and related legislation**

Below are the legislative requirements that guide the budget preparation process:

#### Municipal Structures Act

The Municipal Structures Act (No. 117 of 1998) as amended, under section 56: Functions and Powers of Executive Mayor, states that the Executive Mayor shall-

- “(a) identify the needs of the municipality;
- (b) Review and evaluate those needs in order of priority;

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- (c) recommend to the municipal Council strategies, programmes and services to address priority needs through the integrated development plan and estimates of revenue and expenditure, taking into account any applicable national and provincial development plans; and
- (d) Recommend or determine the best methods, including partnership and other approaches, to deliver those strategies, programmes and services to the maximum benefit of the community."

Legislation also requires municipalities to compile operating and capital budgets on an annual basis. The operating and capital budgets must balance (i.e. may not reflect a deficit) and must be prepared in accordance with the integrated development plan.

### Municipal Finance Management Act

Section 16 (2) of the Municipal Finance Management Act No. 56 of 2003, (MFMA) dealing with legislative compliance regarding the tabling of the annual budget states *inter alia* that:

".., the Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

Section 21(1) of the MFMA, which deals with the Budget preparation process, stipulates that the Executive Mayor must-

- "(a) co-ordinate the processes for preparing the annual budget and for reviewing the municipality's integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible;
- (b) at least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for-
  - (i) the preparation, tabling and approval of the annual budget;
  - (ii) the annual review of-
    - (aa) the integrated development plan in terms of Section 34 of the Municipal Systems Act; and
    - (bb) the budget related policies
  - (iii) The tabling and adoption of any amendments to the integrated development plan and the budget related policies; and
  - (iv) Any consultative processes forming part of the processes referred to in sub-paragraphs (i), (ii) and (iii).

The approval of the Budget is regulated by Section 24 of the MFMA, which states as follows-

- (1) The municipal council must at least 30 days before the start of the budget year

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consider approval of the annual budget;

(2) An annual budget-

- (a) must be approved before the start of the budget year;
- (b) must be approved together with the adoption by the council of the resolutions as may be necessary for-
  - (i) imposing any municipal tax for the budget year;
  - (ii) setting any municipal tariffs for the budget year;
  - (iii) approving measurable performance objectives for each vote in the budget;
  - (iv) approving any changes to the municipality's integrated development plan; and approving any changes to the municipality's budget-related policies."

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Below is a discussion of the Municipality's progress relating to the implementation of the MFMA:

### **1.3.7 Implementation of the MFMA**

The municipality has been implementing the provisions of the MFMA in accordance with a documented Implementation Plan. The municipality monitors its implementation status on an on-going basis through reporting via its Committees, including the following:

- The Municipal Manager's Management Team includes all section 57 managers, which meets monthly and attends to MFMA issues requiring attention.
- The Finance and Asset Management Committee – a standing committee of the Council, which meets monthly. The committee considers specific MFMA implementation issues and reports via the Mayoral Committee to Council.
- Meetings between the Municipal Manager, CFO and section 57 managers to discuss MFMA implementation issues, as and when necessary. Issues requiring attention are monitored so that actions are taken to ensure compliance.

The following reflects the status of implementation of some of the key MFMA areas:

### **1.3.8 IDP**

The IDP review process is in progress and a draft 2012/13 IDP has been developed. The IDP includes specific deliverables that form the basis for the Budget and SDBIP.

### **1.3.9 Budget Reporting Formats**

As part of its budget reforms, National Treasury released a budget formats guide. This budget formats guide has been imposed through Budget and Reporting Regulations, which specifies the required tables to be published with the municipality's budget document.

The objectives of the budget formats reforms are as follows:

- To ensure that municipal budget and financial reporting formats support the other financial management reforms introduced by the MFMA;
- To improve the local government spheres' ability to deliver basic services by – addressing issues of financial sustainability; and facilitating informed policy choices and medium term planning of service delivery.
- To formalise the norms and standards governing municipal budget and financial reporting formats, so as to improve the credibility, sustainability, transparency, accuracy, and reliability

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of budgets and in-year reports of municipalities and municipal entities.

A description of the purpose and relevance of each budget table is provided further in this report.

### **1.3.10 SDBIP**

| The 2012/13 draft SDBIP document will ~~been~~ developed, within the prescribed timeframes as required by the MFMA. This document contains the specific performance measures relating to the IDP objectives, which are incorporated into the Budget. The content of the SDBIP is reflected in the Municipal Manager and the section 57 manager's performance contracts.

### **1.3.11 Annual Report**

The Annual Report for the 2010/2011 has been compiled and tabled before Council on the 31<sup>st</sup> January 2012, as required by the MFMA (S127). It is due for adoption on the 30<sup>th</sup> March 2012.

The 2010/11 annual financial statements had some improvements as the municipality moved from a disclaimer to a qualified opinion on the financial statements.

### **1.3.12 Oversight Report**

The Speaker has lead the oversight process for the 2010/11 financial year, which complies with the MFMA and NT guidance with an Oversight Committee. The oversight report is scheduled to be adopted on 30 March 2012.

### **1.3.13 In-Year Reporting**

The municipality submits the various reports required in accordance with the MFMA to the Executive Mayor, Council, and National Treasury on an on-going basis.

### **1.3.14 Supply Chain Management Policy (SCM)**

A Supply Chain Management Policy has been adopted and implemented in accordance with the MFMA and Supply Chain Management Regulations.

All the required committee structures are in place and are functioning. Whilst the municipality is working at making these new processes operate more efficiently and effectively, it is considered that the municipality is currently complying with the MFMA and NT guidelines.

### **1.3.15 Budget and Treasury Office**

A Budget and Treasury Office has been established in accordance with the MFMA and NT requirements, consisting of a CFO and municipal officials reporting to the CFO.

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### **1.3.16 Alignment of budget with IDP**

The Integrated Development Plan (IDP) determines and prioritises the needs of the community. All the plans for Mhlontlo municipality form the basis of the 5 year IDP and is particularly strong on integration, consultation and public participation. The plan provides a comprehensive Spatial Development Framework which sets a basis for integrated implementation in a systematic approach. The Service Delivery and Budget Implementation Plan is the mechanism that ensures that the IDP and the Budget are aligned.

The 2012/13 to 2014/15 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Service delivery under conditions of good governance
- Financial planning and Viability
- Institutional Development and Transformation
- Local Economic Development
- Good governance and public participation

The above mentioned strategic focus areas informed the preparation of the Budget.

After the tabling of the budget, a series of meetings will be held throughout the municipal area to consult with the elected public representatives. The feedback flowing from these meetings will be referred to the relevant departments for their attention.

Below is a table, which illustrates the link between the Budget and the IDP.

Table 3 : EC156 Mhlontlo - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Vote 1 - vote name</b>										
<b>Function 1 - (name)</b>										
<b>Sub-function 1 - (name)</b>										
<b>Insert measure/s description</b>										

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Sub-function 2 - (name)									
<i>Insert measure/s description</i>									
Sub-function 3 - (name)									
<i>Insert measure/s description</i>									
Function 2 - (name)									
Sub-function 1 - (name)									
<i>Insert measure/s description</i>									
Sub-function 2 - (name)									
<i>Insert measure/s description</i>									
Sub-function 3 - (name)									
<i>Insert measure/s description</i>									
Vote 2 - vote name									
Function 1 - (name)									
Sub-function 1 - (name)									
<i>Insert measure/s description</i>									
Sub-function 2 - (name)									
<i>Insert measure/s description</i>									
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Function 2 - (name)									
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Sub-function 3 - (name)									
<i>Insert measure/s description</i>									
Vote 3 - vote name									
Function 1 - (name)									
Sub-function 1 - (name)									
<i>Insert measure/s description</i>									
Sub-function 2 - (name)									
<i>Insert measure/s description</i>									
Sub-function 3 - (name)									
<i>Insert measure/s description</i>									

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Function 2 - (name)									
Sub-function 1 - (name)									
<i>Insert measure/s description</i>									
Sub-function 2 - (name)									
<i>Insert measure/s description</i>									
Sub-function 3 - (name)									
<i>Insert measure/s description</i>									
And so on for the rest of the Votes									

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### **1.3.17 Funding of the budget**

The budget is funded from two major sources:

- Realistic expected revenue from operations (Property rates and service charges)
- Grants and subsidies (cash backed allocations from government)

### **1.3.18 Overview of the Projected Financial Performance**

The municipality's financial performance and position is gradually improving for the following reasons:

- Budgets are balanced, being funded from the current financial year's revenues
- The municipality operates within its annual budget, as approved by Council.
- The municipality maintains a positive cash and investments position.
- Improved revenue collection rates being achieved.

## **1.4 OPERATING REVENUE FRAMEWORK**

For Mhlontlo Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

In the 2011/12 financial year the municipality achieved a collection rate of 80% on the revenue billed in the year. This has to be maintained in the 2012/13 financial period, with still some challenges from household revenue collections. The projected collection rate is at 95%, as measures are currently being implemented to collect old household debt and all currently billed revenue.

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

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Table 4 : EC156 Mhlontlo – MBRR Table A1 Budget Summary

Description R thousands	2012/13 Medium Term Revenue & Expenditure Framework					
	Original Budget 2011/2012	Adjusted Budget 2011/2012	Pre-audit outcome 2011/2012	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b><u>Financial Performance</u></b>						
Property rates	2 479	4 605	–	7 713	8 098	8 503
Service charges	760	206	–	541	569	599
Investment revenue	–	–	–	725	764	805
Transfers recognised - operational	–	–	–	104 793	111 412	121 552
Other own revenue	8 240	12 776	–	4 258	3 626	3 822
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>11 480</b>	<b>17 587</b>	<b>–</b>	<b>118 030</b>	<b>124 468</b>	<b>135 282</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

**Operating grants and transfers** totals R104.793 million in the 2011/12 financial year and steadily increases to R121.552 million by 2014/15.

Table 5 : EC156 Mhlontlo - Supporting Table SA18 Transfers and grant receipts

Description R thousand	Ref	2010/11	Current budget year 2011/2012		2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>RECEIPTS:</b>							
<b>- Operating Transfers and Grants</b>							
National Government:							
Local Government Equitable Share							
Other transfers/grants [insert description]							

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Provincial Government:		-	-	-	-	-	-
Other transfers/grants [insert description]							
District Municipality:		-	-	-	-	-	-
[insert description]							
Other grant providers:		-	-	-	-	-	-
[insert description]							
Total Operating Transfers and Grants	5	-	-	-	-	-	-
<u>Capital Transfers and Grants</u>							
National Government:		-	-	-	-	-	-
Other capital transfers/grants [insert desc]							
Provincial Government:		-	-	-	-	-	-
Other capital transfers/grants [insert description]							
District Municipality:		-	-	-	-	-	-
[insert description]							
Other grant providers:		-	-	-	-	-	-
[insert description]							
Total Capital Transfers and Grants	5	-	-	-	-	-	-
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		-	-	-	-	-	-

## MHLONTLO MUNICIPALITY 2012/2013 MTREF

### **1.5 OPERATING EXPENDITURE FRAMEWORK**

The Municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;

The capital programme is aligned to the asset renewal strategy and backlog eradication plan and

- Operational gains and efficiencies will be directed to funding the capital budget and other core services.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

Table 6 : EC156 Mhlontlo - Table A1

Budget Summary

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	R thousands	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Employee costs	23 560	26 319	34 939	36 868	34 944	34 944	–	48 222	51 808	55 657
Remuneration of councillors	–	–	–	11 801	12 207	12 207	–	12 421	13 290	14 287
Depreciation & asset impairment	–	–	–	–	–	–	–	–	–	–
Finance charges	–	–	–	–	–	–	–	–	–	–
Materials and bulk purchases	–	–	–	–	946	946	–	500	527	552
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	25 529	12 585	3 370	3 486	49 116	49 116	–	42 864	43 967	46 147
<b>Total Expenditure</b>	<b>49 089</b>	<b>38 904</b>	<b>38 309</b>	<b>52 156</b>	<b>97 213</b>	<b>97 213</b>	<b>–</b>	<b>104 006</b>	<b>109 592</b>	<b>116 643</b>

The major expenditure items are employee costs (36%), general expenses (22%), repairs and maintenance (2%) and Capital contributions (40%).

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### **1.6 CAPITAL EXPENDITURE**

The following table reflects the capital budget of the municipality over the 2012/13 MTREF

Table 6 : EC156 Mhlontlo - Table A1 Budget Summary

Description R thousands	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Capital expenditure &amp; funds sources</u>										
Capital expenditure	15 806	26 497	79 032	47 481	52 593	52 593	–	64 536	76 888	89 509
Transfers recognised - capital	15 806	26 497	79 032	–	43 346	43 346	–	63 645	76 811	89 428
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	–	–	9 247	9 247	–	891	76	81
Total sources of capital funds	15 806	26 497	79 032	–	52 593	52 593	–	64 536	76 888	89 509

For the 2012/13 budget period capital expenditure is only projected at R64 m, funded from government grants to the tune of R63.6 m and only R891 k from own revenue.

### **ONGOING ISSUES REQUIRING MONITORING AND EVALUATION**

The municipality is closely monitoring certain issues that could have a significant financial impact on future budgets. If one or more of them require substantial resources beyond what is included in the mid -term budget, the municipality will have to adjust its spending plans to maintain its financial position. Many of the items listed below could have major and permanent impacts on the operating budget, and would therefore require permanent increases in revenue, or reductions in other services. Consequently, they should be carefully monitored and evaluated:

- Maintenance backlogs in roads, electricity and municipal properties
- Staffing requirements and the impact on the personnel expenditure target;
- Acceptance and implementation of unfunded mandates; e.g. Disaster management and Library Services;
- Improving on current collection rates especially household debt

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### **1.8 Annual Budget Tables**

The 18 following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2012/13 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the facing page.

Table 7 : EC156 Mhlontlo - MBRR Table A1 Budget Summary

Description	2008/9	2009/10	2010/1 1	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework				
				Audite d Outco me	Audite d Outco me	Audite d Outco me	Origin al Budge t	Adjust ed Budget	Full Year Foreca st	Pre- audit outco me	Budg et Year 2012/1 3	Budg et Year 2013/1 4
R thousands												
<b>Financial Performance</b>												
Property rates	1 546	1 923	1 200	2 479	4 605	4 605	–	7 713	8 098	8 503		
Service charges	592	655	300	760	206	206	–	541	569	599		
Investment revenue	–	–	–	604	686	686	–	725	764	805		
Transfers recognised - operational	33 772	41 108	57 795	81 880	84 922	84 922	–	793	412	552		
Other own revenue	25 415	5 709	11 230	9 594	16 039	16 039	–	4 258	3 626	3 822		
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>61 324</b>	<b>49 395</b>	<b>70 525</b>	<b>95 318</b>	<b>106</b>	<b>106</b>	<b>–</b>	<b>118</b>	<b>124</b>	<b>135</b>		
Employee costs	23 560	26 319	34 939	36 868	34 944	34 944	–	48 222	51 808	55 657		
Remuneration of councillors	–	–	–	11 801	12 207	12 207	–	12 421	13 290	14 287		
Depreciation & asset impairment	–	–	–	–	–	–	–	–	–	–		
Finance charges	–	–	–	–	–	–	–	–	–	–		
Materials and bulk purchases	–	–	–	–	946	946	–	500	527	552		
Transfers and grants	–	–	–	–	–	–	–	–	–	–		
Other expenditure	25 529	12 585	3 370	3 486	49 116	49 116	–	42 864	43 967	46 147		
<b>Total Expenditure</b>	<b>49 089</b>	<b>38 904</b>	<b>38 309</b>	<b>52 156</b>	<b>97 213</b>	<b>97 213</b>	<b>–</b>	<b>104</b>	<b>109</b>	<b>116</b>		
<b>Surplus/(Deficit)</b>	<b>12 236</b>	<b>10 491</b>	<b>32 216</b>	<b>43 162</b>	<b>9 246</b>	<b>9 246</b>	<b>–</b>	<b>14 024</b>	<b>14 876</b>	<b>18 639</b>		
Transfers recognised - capital	–	–	–	–	43 346	43 346	–	52 448	64 167	75 842		
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–		
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>12 236</b>	<b>10 491</b>	<b>32 216</b>	<b>43 162</b>	<b>52 592</b>	<b>52 592</b>	<b>–</b>	<b>66 472</b>	<b>79 043</b>	<b>94 481</b>		
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–		
<b>Surplus/(Deficit) for the year</b>	<b>12 236</b>	<b>10 491</b>	<b>32 216</b>	<b>43 162</b>	<b>52 592</b>	<b>52 592</b>	<b>–</b>	<b>66 472</b>	<b>79 043</b>	<b>94 481</b>		
<b>Capital expenditure &amp; funds sources</b>												
Capital expenditure	15 806	26 497	79 032	47 481	52 593	52 593	–	64 536	76 888	89 509		
Transfers recognised - capital	15 806	26 497	79 032	–	43 346	43 346	–	63 645	76 811	89 428		
Public contributions & donations	–	–	–	–	–	–	–	–	–	–		
Borrowing	–	–	–	–	–	–	–	–	–	–		
Internally generated funds	–	–	–	–	9 247	9 247	–	891	76	81		
<b>Total sources of capital funds</b>	<b>15 806</b>	<b>26 497</b>	<b>79 032</b>	<b>–</b>	<b>52 593</b>	<b>52 593</b>	<b>–</b>	<b>64 536</b>	<b>76 888</b>	<b>89 509</b>		
<b>Financial position</b>												
Total current assets	6 013	16 606	32 043	–	–	–	–	18 577	–	–		
Total non current assets	–	26 497	49 246	41 362	52 593	52 593	–	–	–	–		
Total current liabilities	11 153	12 731	19 473	–	–	–	–	(19 634)	–	–		

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Total non current liabilities	-	-	-	-	-	-	-	-	-	-
Community wealth/Equity	(5 141)	30 372	61 816	-	-	-	-	-	-	-
<b>Cash flows</b>										
Net cash from (used) operating	12 194	25 154	28 691	47 481	52 593	52 593	-	66 978	80 412	98 677
Net cash from (used) investing	(9 321)	(29 344)	(22 749)	(47 481)	(52 593)	(52 593)	-	(48 402)	(57 666)	(67 131)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>(5 214)</b>	<b>(9 404)</b>	<b>(3 462)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>18 577</b>	<b>41 323</b>	<b>72 869</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	2 823	1 480	6 708	-	-	-	-	18 577	-	-
Application of cash and investments	(1 508)	(219 972)	14 436	-	-	-	-	(19 634)	-	-
<b>Balance - surplus (shortfall)</b>	<b>4 332</b>	<b>221 452</b>	<b>(7 728)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38 211</b>	<b>-</b>	<b>-</b>
<b>Asset management</b>										
Asset register summary (WDV)	15 858	26 497	22 374	41 362	52 593	52 593	-	-	-	-
Depreciation & asset impairment	-	-	-	-	-	-	-	-	-	-
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	8 501	5 471	5 471	3 035	3 035	3 191	3 342
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
<u>Households below minimum service level</u>										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

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**Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the district municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is funded by grant transfers of which
    - (i) R 63 m is MIG
    - (ii) R891 k is own funded

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**Table 8 : EC156 Mhlontlo -MBRR Table A2 Budgeted Financial Performance  
(revenue and expenditure by standard classification)**

Standard Classification Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		R thousand	1	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14
<b>Revenue - Standard</b>										
<b>Governance and administration</b>		55 474	47 867	34 949	59 415	58 129	58 129	65 264	68 490	73 1
Executive and council		–	2 863	13 048	26 821	25 419	25 419	27 633	29 152	31 445
Budget and treasury office		51 749	42 634	16 265	23 340	21 318	21 318	25 602	26 499	28 027
Corporate services		3 725	2 370	5 636	9 253	11 392	11 392	12 029	12 839	13 688
<b>Community and public safety</b>		546	32	5 669	11 403	12 022	12 022	15 200	16 500	17 5
Community and social services		–	–	–	–	–	–	–	–	
Sport and recreation		–	–	–	–	–	–	–	–	
Public safety		546	32	5 669	11 403	12 022	12 022	15 200	16 500	17 534
Housing		–	–	–	–	–	–	–	–	
Health		–	–	–	–	–	–	–	–	
<b>Economic and environmental services</b>		11 921	16 787	5 654	61 078	69 564	69 564	83 026	96 104	109 6
Planning and development		–	2 493	–	8 594	11 255	11 255	10 353	10 481	11 130
Road transport		11 921	14 294	5 654	52 484	58 310	58 310	72 674	85 623	98 558
Environmental protection		–	–	–	–	–	–	–	–	
<b>Trading services</b>		943	911	4 444	6 409	10 091	10 091	6 988	7 420	7 8
Electricity		–	–	–	–	–	–	–	–	
Water		–	–	–	–	–	–	–	–	
Waste water management		–	–	–	–	–	–	–	–	
Waste management		943	911	4 444	6 409	10 091	10 091	6 988	7 420	7 873
<b>Other</b>	4	–	–	–	–	–	–	–	–	
<b>Total Revenue - Standard</b>	2	68 884	65 597	50 715	138 304	149 806	149 806	170 478	188 514	208 256
<b>Expenditure - Standard</b>										
<b>Governance and administration</b>		55 474	47 867	34 949	59 415	58 129	58 129	63 328	66 457	71 0
Executive and council		–	2 863	13 048	26 821	25 419	25 419	27 633	29 152	31 445
Budget and treasury office		51 749	42 634	16 265	23 340	21 318	21 318	23 666	24 465	25 923
Corporate services		3 725	2 370	5 636	9 253	11 392	11 392	12 029	12 839	13 688
<b>Community and public safety</b>		546	32	5 669	11 403	12 022	12 022	15 200	16 500	17 5
Community and social services		–	–	–	–	–	–	–	–	
Sport and recreation		–	–	–	–	–	–	–	–	
Public safety		546	32	5 669	11 403	12 022	12 022	15 200	16 500	17 534
Housing		–	–	–	–	–	–	–	–	
Health		–	–	–	–	–	–	–	–	
<b>Economic and environmental services</b>		11 921	16 787	5 654	61 078	69 564	69 564	82 926	95 999	109 6
Planning and development		–	2 493	–	8 594	11 255	11 255	10 353	10 481	11 130
Road transport		11 921	14 294	5 654	52 484	58 310	58 310	72 574	85 517	98 447
Environmental protection		–	–	–	–	–	–	–	–	
<b>Trading services</b>		943	911	4 444	6 409	10 091	10 091	6 988	7 420	7 8
Electricity		–	–	–	–	–	–	–	–	
Water		–	–	–	–	–	–	–	–	
Waste water management		–	–	–	–	–	–	–	–	
Waste management		943	911	4 444	6 409	10 091	10 091	6 988	7 420	7 873
<b>Other</b>	4	–	–	–	–	–	–	–	–	
<b>Total Expenditure - Standard</b>	3	68 884	65 597	50 715	138 304	149 806	149 806	168 442	186 375	206 041
<b>Surplus/(Deficit) for the year</b>		–	–	–	–	–	–	2 036	2 139	2 215

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**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 12 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

Table 9 : EC156 Mhlontlo - MBRR Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Revenue by Vote</u>										
Vote 1 - MAYOR'S OFFICE	1	–	1 226	1 102	2 690	3 258	3 258	2 091	1 897	2 008
Vote 2 - SPEAKER'S OFFICE		–	–	8 592	16 122	15 627	15 627	16 454	17 526	19 012
Vote 3 - MUNICIPAL MANAGER'S OFFICE		–	1 637	3 354	8 009	6 533	6 533	9 088	9 730	10 426
Vote 4 - BUDGET & TREASURY OFFICE		51 749	42 634	16 265	23 340	21 318	21 318	25 602	26 499	28 027
Vote 5 - CORPORATE SERVICES		3 725	2 370	5 636	9 253	11 392	11 392	12 029	12 839	13 688
Vote 6 - LOCAL ECONOMIC DEVELOPMENT		–	2 493	–	8 594	11 255	11 255	10 353	10 481	11 130
Vote 7 - COMMUNITY SERVICES		1 489	943	10 113	17 811	22 113	22 113	22 188	23 920	25 407
Vote 8 - INFRASTRUCTURAL, PLANNING & DEVELOPMENT		11 921	14 294	5 654	52 484	58 310	58 310	72 674	85 623	98 558
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–

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Total Revenue by Vote	2	68 884	65 597	50 715	138 304	149 806	149 806	170 478	188 514	208 256
<u>Expenditure by Vote to be appropriated</u>	1									
Vote 1 - MAYOR'S OFFICE		–	1 226	1 102	690 <sup>2</sup>	258 <sup>3</sup>	3 258	2 091	1 897	2 008
Vote 2 - SPEAKER'S OFFICE		–	–	8 592	122 <sup>16</sup>	627 <sup>15</sup>	15 627	16 454	17 526	19 012
Vote 3 - MUNICIPAL MANAGER'S OFFICE		–	1 637	3 354	009 <sup>8</sup>	533 <sup>6</sup>	6 533	9 088	9 730	10 426
Vote 4 - BUDGET & TREASURY OFFICE		51 749	42 634	16 265	340 <sup>23</sup>	318 <sup>21</sup>	21 318	23 666	24 465	25 923
Vote 5 - CORPORATE SERVICES		3 725	2 370	5 636	253 <sup>9</sup>	392 <sup>11</sup>	11 392	12 029	12 839	13 688
Vote 6 - LOCAL ECONOMIC DEVELOPMENT		–	2 493	–	594 <sup>8</sup>	255 <sup>11</sup>	11 255	10 353	10 481	11 130
Vote 7 - COMMUNITY SERVICES		1 489	943	10 113	811 <sup>17</sup>	113 <sup>22</sup>	22 113	22 188	23 920	25 407
Vote 8 - INFRASTRUCTURAL, PLANNING & DEVELOPMENT		11 921	14 294	5 654	484 <sup>52</sup>	310 <sup>58</sup>	58 310	72 574	85 517	98 447
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
Total Expenditure by Vote	2	68 884	65 597	50 715	138 304	149 806	149 806	168 442	186 375	206 041
Surplus/(Deficit) for the year	2	–	–	–	–	–	–	2 036	2 139	2 215

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the district municipality. This means it is possible to present the operating surplus or deficit of a vote.

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Table 10 : EC156 Mhlontlo -MBRR Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	Ref 1	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue By Source</b>											
Property rates	2	546	1	1	200	1	479	2	605	4	605
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	592	655	300	760	206	206	-	541	569	599
Service charges - other											
Rental of facilities and equipment					-	37	37		39	41	44
Interest earned - external investments					604	686	686		725	764	805
Interest earned - outstanding debtors											
Dividends received											
Fines					77	1	98	1	104	1	115
Licences and permits					277	530	530	1	616	703	795
Agency services											
Transfers recognised - operational		33 772	41 108	57 795	81 880	84 922	84 922		104 793	111 412	121 552
Other revenue	2	25 415	5 709	11 230	8 240	12 776	12 776	-	2 103	1 355	1 428
Gains on disposal of PPE					-	1 224	1 224				
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>61 324</b>	<b>49 395</b>	<b>70 525</b>	<b>95 318</b>	<b>106 459</b>	<b>106 459</b>	<b>-</b>	<b>118 030</b>	<b>124 468</b>	<b>135 282</b>
<b>Expenditure By Type</b>											
Employee related costs	2	23 560	26 319	34 939	36 868	34 944	34 944	-	48 222	51 808	55 657
Remuneration of councillors					11 801	12 207	12 207		12 421	13 290	14 287
Debt impairment	3				-	815	815		863	909	954
Depreciation & asset impairment	2	-	-	-	-	-	-	-	-	-	-
Finance charges											
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8				-	946	946		500	527	552
Contracted services		859	859	1 501	1 323	14 042	14 042	-	12 253	12 270	12 871
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	24 670	11 726	1 869	2 163	34 259	34 259	-	29 748	30 788	32 321
<b>Total Expenditure</b>		<b>49 089</b>	<b>38 904</b>	<b>38 309</b>	<b>52 156</b>	<b>97 213</b>	<b>97 213</b>	<b>-</b>	<b>104 006</b>	<b>109 592</b>	<b>116 643</b>

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Surplus/(Deficit)		12 236	10 491	32 216	43 162	9 246	9 246	-	14 024	14 876	18 639
Transfers recognised - capital	6					43 346	43 346		52 448	64 167	75 842
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		12 236	10 491	32 216	43 162	52 592	52 592	-	66 472	79 043	94 481
Taxation											
Surplus/(Deficit) after taxation		12 236	10 491	32 216	43 162	52 592	52 592	-	66 472	79 043	94 481
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		12 236	10 491	32 216	43 162	52 592	52 592	-	66 472	79 043	94 481
Share of surplus/(deficit) of associate	7										
Surplus/(Deficit) for the year		12 236	10 491	32 216	43 162	52 592	52 592	-	66 472	79 043	94 481

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total revenue is R118 Million in 2012/13 and increase to R124 million by 2013/14. This represents an increase of 5 per cent for the 2013/14 financial year and increase of 8.6 per cent for the 2014/15 financial year.

Table 11 : EC156 Mhlontlo – MBRR Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	Re f 1	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audite d Outco me	Audite d Outco me	Audite d Outco me	Origina l Budget	Adjuste d Budget	Full Year Forec ast	Pre- audit outco me	Budge t Year 2012/1 3	Budge t Year +1 2013/1 4	Budge t Year +2 2014/1 5
<u>Capital expenditure - Vote Multi-year expenditure to be appropriated</u>	2										
Vote 1 - MAYOR'S OFFICE		-	-	-	-	-	-	-	-	-	-
Vote 2 - SPEAKER'S OFFICE		-	-	-	-	-	-	-	-	-	-
Vote 3 - MUNICIPAL MANAGER'S OFFICE		-	-	-	-	-	-	-	-	-	-
Vote 4 - BUDGET & TREASURY OFFICE		-	-	-	-	-	-	-	-	-	-
Vote 5 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 6 - LOCAL ECONOMIC DEVELOPMENT		-	-	-	-	-	-	-	-	-	-
Vote 7 - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 8 - INFRASTRUCTURAL, PLANNING & DEVELOPMENT		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-

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		-	-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>7</b>	-	-	-	-	-	-	-	-	-	-	-
<b><u>Single-year expenditure to be appropriated</u></b>	<b>2</b>											
Vote 1 - MAYOR'S OFFICE		-	-	-	800	680	680	-	300	-	-	-
Vote 2 - SPEAKER'S OFFICE		-	-	-	500	600	600	-	-	-	-	300
Vote 3 - MUNICIPAL MANAGER'S OFFICE		-	-	-	-	493	493	-	563	635	736	
Vote 4 - BUDGET & TREASURY OFFICE		-	270	-	600	-	-	-	-	-	-	-
Vote 5 - CORPORATE SERVICES		-	340	1 000	390	998	998	-	206	217	228	
Vote 6 - LOCAL ECONOMIC DEVELOPMENT		2 169	436	2 427	5 825	2 861	2 861	-	3 418	3 599	3 776	
Vote 7 - COMMUNITY SERVICES		941	-	100	2 657	5 401	5 401	-	2 850	3 296	3 438	
Vote 8 - INFRASTRUCTURAL, PLANNING & DEVELOPMENT		12 695	25 452	75 505	36 708	41 560	41 560	-	57 198	69 140	81 031	
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>	<b>15 806</b>	<b>26 497</b>	<b>79 032</b>	<b>47 481</b>	<b>52 593</b>	<b>52 593</b>	<b>-</b>	<b>64 536</b>	<b>76 888</b>	<b>89 509</b>		
<b>Total Capital Expenditure - Vote</b>	<b>15 806</b>	<b>26 497</b>	<b>79 032</b>	<b>47 481</b>	<b>52 593</b>	<b>52 593</b>	<b>-</b>	<b>64 536</b>	<b>76 888</b>	<b>89 509</b>		
<b>Capital Expenditure - Standard</b>												
<i>Governance and administration</i>		-	610	000	1	290	2	771	2	2 771	-	1 070
Executive and council						300	1	773	1	1 773		863
Budget and treasury office			270		1	600	-	-	-	-	-	635
Corporate services			340	000	1	390	998	998	206	217	228	
<i>Community and public safety</i>		541	-	100	757	248	2	2 248	-	2 450	2 896	3 038
Community and social services						1	2					
Sport and recreation												
Public safety		541		100	757	1	248	2	2 248		2 450	2 896
Housing												
Health												
<i>Economic and environmental</i>			14	25	77	42	44					

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<i>services</i>	864	887	932	533	420	44 420	-	60 616	72 739	84 807
Planning and development	2 169	436	2 427	5 825	2 861	2 861		3 418	3 599	3 776
Road transport	12 695	25 452	75 505	36 708	41 560	41 560		57 198	69 140	81 031
Environmental protection										
<i>Trading services</i>	400	-	-	900	3 153	3 153	-	400	400	400
Electricity										
Water										
Waste water management										
Waste management	400			900	3 153	3 153		400	400	400
<i>Other</i>										
Total Capital Expenditure - Standard	3	15 806	26 497	79 032	47 593	52 52 593	-	64 536	76 888	89 509
<b>Funded by:</b>										
National Government		15 806	26 497	79 032	40 635	40 635		63 645	76 811	89 428
Provincial Government					2 711	2 711				
District Municipality										
Other transfers and grants										
Transfers recognised - capital	4	15 806	26 497	79 032	-	43 346	43 346	-	63 645	76 811
Public contributions & donations	5									
Borrowing	6					9 247	9 247		891	76
Internally generated funds										81
Total Capital Funding	7	15 806	26 497	79 032	-	52 593	52 593	-	64 536	76 888
										89 509

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital program in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. Single-year capital expenditure has been appropriated at R64 million for the 2012/13 financial year and then increases over the MTREF to levels of R76 million and R89 million respectively for the two outer years.

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Table 12 : EC156 Mhlontlo - MBRR Table A6 Budgeted Financial Position

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework			
		R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>ASSETS</b>												
Current assets												
Cash		2 252	118	6 654						18 577		
Call investment deposits	1	572	3 442	54	–	–	–	–	–	–	–	–
Consumer debtors	1	1 861	1 749	8 428	–	–	–	–	–	–	–	–
Other debtors		1 328	11 297	16 907								
Current portion of long-term receivables												
Inventory	2											
<b>Total current assets</b>		6 013	16 606	32 043	–	–	–	–	–	18 577	–	–
Non current assets												
Long-term receivables												
Investments												
Investment property												
Investment in Associate												
Property, plant and equipment	3	–	26 497	49 246	33 855	34 010	34 010	–	–	–	–	–
Agricultural												
Biological												
Intangible					350	350	350					
Other non-current assets					7 158	18 233	18 233					
<b>Total non current assets</b>		–	26 497	49 246	41 362	52 593	52 593	–	–	–	–	–
<b>TOTAL ASSETS</b>		6 013	43 104	81 289	41 362	52 593	52 593	–	18 577	–	–	–
<b>LIABILITIES</b>												
Current liabilities												
Bank overdraft	1	–	2 080									
Borrowing	4	–	–	–	–	–	–	–	–	–	–	–
Consumer deposits												
Trade and other payables	4	6 186	8 435	18 144	–	–	–	–	(19 634)	–	–	–
Provisions		4 968	2 216	1 329								
<b>Total current liabilities</b>		11 153	12 731	19 473	–	–	–	–	(19 634)	–	–	–
Non current liabilities												
Borrowing		–	–	–	–	–	–	–	–	–	–	–
Provisions		–	–	–	–	–	–	–	–	–	–	–
<b>Total non current liabilities</b>		–	–	–	–	–	–	–	–	–	–	–
<b>TOTAL LIABILITIES</b>		11 153	12 731	19 473	–	–	–	–	(19 634)	–	–	–
<b>NET ASSETS</b>	5	(5 141)	30 372	61 816	41 362	52 593	52 593	–	38 211	–	–	–
<b>COMMUNITY WEALTH/EQUITY</b>												
Accumulated Surplus/(Deficit)		(5 141)	30 372	61 816								
Reserves	4	–	–	–	–	–	–	–	–	–	–	–
Minorities' interests												
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	(5 141)	30 372	61 816	–	–	–	–	–	–	–	–

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### **Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 13 : EC156 Mhlontlo – MBRR Table A7 Budgeted Cash Flows

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework			
		R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>												
Receipts												
Ratepayers and other		66 463	145 086	1 863	17 797	21 538	21 538		8 656	9 100	12 401	
Government - operating	1			130 272	91 169	94 679	94 679		104 793	111 412	121 552	
Government - capital	1				29 338	33 589	33 589		52 448	64 167	75 842	
Interest		268	1 185	897					725	764	805	
Dividends												
Payments												
Suppliers and employees		(54 096)	(121 083)	(104 312)	(90 823)	(97 213)	(97 213)		(99 643)	(105 030)	(111 923)	
Finance charges		(441)	(35)	(30)								
Transfers and Grants	1											
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>12 194</b>	<b>25 154</b>	<b>28 691</b>	<b>47 481</b>	<b>52 593</b>	<b>52 593</b>	<b>–</b>	<b>66 978</b>	<b>80 412</b>	<b>98 677</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
Receipts												
Proceeds on disposal of PPE												
Decrease (Increase) in non-current debtors												
Decrease (increase) other non-current receivables												
Decrease (increase) in non-current investments												
Payments												
Capital assets		(16 990)	(26 497)	(22 749)	(47 481)	(52 593)	(52 593)		(48 402)	(57 666)	(67 131)	

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NET CASH FROM/(USED) INVESTING ACTIVITIES		(9 321)	(29 344)	(22 749)	(47 481)	(52 593)	(52 593)	-	(48 402)	(57 666)	(67 131)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans											
Borrowing long term/refinancing											
Increase (decrease) in consumer deposits											
Payments											
Repayment of borrowing											
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		2 873	(4 190)	5 942	0	0	0	-	18 577	22 746	31 545
Cash/cash equivalents at the year begin:	2	(8 087)	(5 214)	(9 404)	(9 404)					18 577	41 323
Cash/cash equivalents at the year end:	2	(5 214)	(9 404)	(3 462)	0	0	0	-	18 577	41 323	72 869

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality fell significantly over the 2008/09 to 2009/10 period.
4. The tabled 2012/13 MTREF provide for a further increase in cash for the 2012/13 financial year resulting in an overall projected positive cash position of R18 million at year end.

Table 14 : EC156 Mhlontlo -MBRR Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	R ef	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
					Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13
R thousand											
<u>Cash and investments available</u>											
Cash/cash equivalents at the year end	1	(5 214)	(9 404)	(3 462)	0	0	0	-	18 577	41 323	72 869
Other current investments > 90 days		8 038	10 884	10 170	(0)	(0)	(0)	-	-	(41 323)	(72 869)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<u>Cash and investments available:</u>		2 823	1 480	6 708	-	-	-	-	18 577	-	-
<u>Application of cash and investments</u>											
Unspent conditional transfers		2 605	3 534	8 979	-	-	-	-	(16 134)	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-

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Statutory requirements	2										
Other working capital requirements	3	(4 113)	(223 507)	5 456	-	-	-	-	(3 500)	-	-
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		(1 508)	(219 972)	14 436	-	-	-	-	(19 634)	-	-
<b>Surplus(shortfall)</b>		4 332	221 452	(7 728)	-	-	-	-	38 211	-	-

**Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be “funded”.
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2008/09 to 2010/11 the position worsened from a surplus of R4.3 million to a deficit of R7.7 million.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2012/13 MTREF the end objective of the medium-term framework was to ensure the budget is funded and aligned to section 18 of the MFMA.
7. For the 2012/13 financial year there is a budgeted surplus of R38 million.

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Table 15 : EC156 Mhlontlo -MBRR Table A9  
Asset Management

Description R thousand	Re f	2008/9	2009/1 0	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audite d Outcom e	Audite d Outco me	Audite d Outcom e	Original Budget	Adjuste d Budget	Full Year Foreca st	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>CAPITAL EXPENDITURE</b>										
<b>Total New Assets</b>	1	15 865	26 497	22 749	41 362	52 593	52 593	64 536	76 888	89 509
<i>Infrastructure - Road transport</i>		14 400	25 345	19 812	31 255	27 854	27 854	19 948	21 005	22 034
<i>Infrastructure - Electricity</i>		–	–	–	1 000	4 556	4 556	28 000	38 424	48 837
<i>Infrastructure - Water</i>		–	–	–	–	–	–	–	–	–
<i>Infrastructure - Sanitation</i>		–	–	–	–	–	–	–	–	–
<i>Infrastructure - Other</i>		348	–	–	1 600	1 600	1 600	1 400	1 453	1 505
<i>Infrastructure</i>		14 748	25 345	19 812	33 855	34 010	34 010	49 348	60 882	72 376
<i>Community</i>		762	107	373	3 254	4 102	4 102	8 118	8 549	8 967
<i>Heritage assets</i>		–	–	–	–	–	–	–	–	–
<i>Investment properties</i>		–	–	–	–	–	–	–	–	–
<i>Other assets</i>	6	348	1 046	2 188	3 904	14 131	14 131	6 658	6 982	7 597
<i>Agricultural Assets</i>		–	–	–	–	–	–	–	–	–
<i>Biological assets</i>		–	–	–	–	–	–	–	–	–
<i>Intangibles</i>		7	–	375	350	350	350	412	476	569
<b>Total Renewal of Existing Assets</b>	2	–	–	–	–	–	–	–	–	–
<i>Infrastructure - Road transport</i>		–	–	–	–	–	–	–	–	–
<i>Infrastructure - Electricity</i>		–	–	–	–	–	–	–	–	–
<i>Infrastructure - Water</i>		–	–	–	–	–	–	–	–	–
<i>Infrastructure - Sanitation</i>		–	–	–	–	–	–	–	–	–
<i>Infrastructure - Other</i>		–	–	–	–	–	–	–	–	–
<i>Infrastructure</i>		–	–	–	–	–	–	–	–	–
<i>Community</i>		–	–	–	–	–	–	–	–	–
<i>Heritage assets</i>		–	–	–	–	–	–	–	–	–
<i>Investment properties</i>		–	–	–	–	–	–	–	–	–
<i>Other assets</i>	6	–	–	–	–	–	–	–	–	–
<i>Agricultural Assets</i>		–	–	–	–	–	–	–	–	–
<i>Biological assets</i>		–	–	–	–	–	–	–	–	–
<i>Intangibles</i>		–	–	–	–	–	–	–	–	–
<b>Total Capital Expenditure</b>	4									
<i>Infrastructure - Road transport</i>		14 400	25 345	19 812	31 255	27 854	27 854	19 948	21 005	22 034
<i>Infrastructure - Electricity</i>		–	–	–	1 000	4 556	4 556	28 000	38 424	48 837
<i>Infrastructure - Water</i>		–	–	–	–	–	–	–	–	–
<i>Infrastructure - Sanitation</i>		–	–	–	–	–	–	–	–	–
<i>Infrastructure - Other</i>		348	–	–	1 600	1 600	1 600	1 400	1 453	1 505
<i>Infrastructure</i>		14 748	25 345	19 812	33 855	34 010	34 010	49 348	60 882	72 376

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Community	762	107	373	3 254	4 102	4 102	8 118	8 549	8 967	
Heritage assets	-	-	-	-	-	-	-	-	-	
Investment properties	-	-	-	-	-	-	-	-	-	
Other assets	348	1 046	2 188	3 904	14 131	14 131	6 658	6 982	7 597	
Agricultural Assets	-	-	-	-	-	-	-	-	-	
Biological assets	-	-	-	-	-	-	-	-	-	
Intangibles	7	-	375	350	350	350	412	476	569	
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>2</b>	<b>15 865</b>	<b>26 497</b>	<b>22 749</b>	<b>41 362</b>	<b>52 593</b>	<b>52 593</b>	<b>64 536</b>	<b>76 888</b>	<b>89 509</b>
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>5</b>									
<i>Infrastructure - Road transport</i>	14 400	25 345	19 812	31 255	27 854	27 854				
<i>Infrastructure - Electricity</i>	-	-		1 000	4 556	4 556				
<i>Infrastructure - Water</i>	-	-		-	-	-				
<i>Infrastructure - Sanitation</i>	-	-		-	-	-				
<i>Infrastructure - Other</i>	348			1 600	1 600	1 600				
<i>Infrastructure</i>	14 748	25 345	19 812	33 855	34 010	34 010	-	-	-	
Community	762	107	373	3 254	4 102	4 102				
Heritage assets	-	-	-	-	-	-	-	-	-	
Investment properties	-	-	-	-	-	-	-	-	-	
Other assets	348	1 046	2 188	3 904	14 131	14 131				
Agricultural Assets	-	-	-	-	-	-	-	-	-	
Biological assets	-	-	-	-	-	-	-	-	-	
Intangibles	-	-	-	350	350	350	-	-	-	
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>5</b>	<b>15 858</b>	<b>26 497</b>	<b>22 374</b>	<b>41 362</b>	<b>52 593</b>	<b>52 593</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURE OTHER ITEMS</b>										
<u>Depreciation &amp; asset impairment</u>	-	-	-	-	-	-	-	-	-	
<u>Repairs and Maintenance by Asset Class</u>	3	-	-	-	8 501	5 471	5 471	3 035	3 191	3 342
<i>Infrastructure - Road transport</i>	-	-	-	-	5 000	1 000	1 000	-	-	-
<i>Infrastructure - Electricity</i>	-	-	-	-	892	1 200	1 200	800	842	884
<i>Infrastructure - Water</i>	-	-	-	-	-	-	-	-	-	-
<i>Infrastructure - Sanitation</i>	-	-	-	-	-	-	-	-	-	-
<i>Infrastructure - Other</i>	-	-	-	-	530	770	770	300	311	321
<i>Infrastructure</i>	-	-	-	-	6 422	2 970	2 970	1 100	1 153	1 205
Community	-	-	-	-	119	340	340	50	53	55
Heritage assets	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-
Other assets	6, 7	-	-	-	1 960	2 161	2 161	1 885	1 985	2 082
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		-	-	-	8 501	5 471	5 471	3 035	3 191	3 342
<i>Renewal of Existing Assets as % of total capex</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Renewal of Existing Assets as % of deprecn"</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>R&amp;M as a % of PPE</i>	0.0%	0.0%	0.0%	25.1%	16.1%	16.1%	0.0%	0.0%	0.0%	0.0%
<i>Renewal and R&amp;M as a % of PPE</i>	0.0%	0.0%	0.0%	21.0%	10.0%	10.0%	0.0%	0.0%	0.0%	0.0%

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### **Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality does not meet these recommendations as the municipality is still having a huge backlog in construction of infrastructure in the rural communities. Bulk of the budget is for construction of new infrastructure (Roads) .

Table 16 : EC156 Mhlontlo – MBRR Table A10 Basic service delivery measurement

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Household service targets</b>	1									
<i>Water:</i>										
Piped water inside dwelling										
Piped water inside yard (but not in dwelling)										
Using public tap (at least min.service level)	2									
Other water supply (at least min.service level)	4									
<i>Minimum Service Level and Above sub-total</i>										
Using public tap (< min.service level)	3									
Other water supply (< min.service level)	4									
No water supply										
<i>Below Minimum Service Level sub-total</i>										
Total number of households	5									
<i>Sanitation/sewage:</i>										
Flush toilet (connected to sewerage)										
Flush toilet (with septic tank)										
Chemical toilet										
Pit toilet (ventilated)										
Other toilet provisions (> min.service level)										
<i>Minimum Service Level and Above sub-total</i>										
Bucket toilet										
Other toilet provisions (< min.service level)										
No toilet provisions										

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<u>Below Minimum Service Level sub-total</u>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>		5	-	-	-	-	-	-	-	-
<b><u>Energy:</u></b>										
Electricity (at least min.service level)										
Electricity - prepaid (min.service level)										
<b><u>Minimum Service Level and Above sub-total</u></b>			-	-	-	-	-	-	-	-
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources										
<b><u>Below Minimum Service Level sub-total</u></b>			-	-	-	-	-	-	-	-
<b>Total number of households</b>		5	-	-	-	-	-	-	-	-
<b><u>Refuse:</u></b>										
Removed at least once a week										
<b><u>Minimum Service Level and Above sub-total</u></b>			-	-	-	-	-	-	-	-
Removed less frequently than once a week										
Using communal refuse dump										
Using own refuse dump										
Other rubbish disposal										
No rubbish disposal										
<b><u>Below Minimum Service Level sub-total</u></b>			-	-	-	-	-	-	-	-
<b>Total number of households</b>		5	-	-	-	-	-	-	-	-
<b><u>Households receiving Free Basic Service</u></b>		7								
Water (6 kilolitres per household per month)										
Sanitation (free minimum level service)										
Electricity/other energy (50kwh per household per month)										
Refuse (removed at least once a week)							265	265	265	
<b><u>Cost of Free Basic Services provided (R'000)</u></b>		8								
Water (6 kilolitres per household per month)										
Sanitation (free sanitation service)										
Electricity/other energy (50kwh per household per month)										
Refuse (removed once a week)										
<b>Total cost of FBS provided (minimum social package)</b>			-	-	-	-	-	-	-	-
<b><u>Highest level of free service provided</u></b>										
Property rates (R value threshold)										
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										

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<b>Revenue cost of free services provided (R'000)</b>	9									
Property rates (R15 000 threshold rebate)										
Property rates (other exemptions, reductions and rebates)										
Water										
Sanitation										
Electricity/other energy										
Refuse										
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
<b>Total revenue cost of free services provided (total social package)</b>	6	-	-	-	-	-	-	-	-	-

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## **Part 2 – Supporting Documentation**

### **2.1 Overview of the annual budget process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the CFO.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

### **2.2 Budget process overview**

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule

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### **2.3 Budget Time Schedule for 2012/13**

PROCESS	ACTIVITY	TIME FRAME	RESPONSIBILITY
<b>JULY 2011 (PREPARATION PHASE)</b>			
IDP	<ul style="list-style-type: none"> <li>• Development of IDP Framework and Process Plan</li> </ul>	25 July –12 August 2011	Strategic Manager's Office: IDP Manager
<b>AUGUST 2011 (PREPARATION PHASE)</b>			
IDP, Budget and PMS	<ul style="list-style-type: none"> <li>• Establish and Launch IDP Representative Forum (outline terms of reference and explain process)</li> <li>• Mayor tables IDP and Budget process plan in Council</li> <li>• Preparation of Annual Financial Statement</li> <li>• Finalise 2011/2012 performance agreements (workshop)</li> </ul>	25 July –15 September 2011 26 August 2011 August 2011 August 2011	Strategic Manager's Office: IDP Manager Mayor BTO COO
<b>SEPTEMBER 2011(ANALYSIS PHASE)</b>			
IDP, Budget and PMS	<ul style="list-style-type: none"> <li>• Advertise IDP Framework and Process Plan</li> <li>• Mayoral Izimbizo (Feedback from IDP Implementation)</li> <li>• Data Collection (ward based planning – LMs)</li> <li>• Data Analysis and Interpretation</li> <li>• Evaluate outstanding sector plan requirements and additional analysis where necessary.</li> <li>• Establish departmental budget committees</li> <li>• First Quarter report to the council</li> </ul>	05 September 2011 05 September – 31 October 2011 12 – 16 September 2011 End September 2011	Strategic Manager's Office: IDP Manager All Sec 57 Managers Municipal Manager
<b>OCTOBER 2011(ANALYSIS – STRATEGIES PHASE)</b>			
IDP, Budget and PMS	<ul style="list-style-type: none"> <li>• Inputs by various departments and structures.</li> <li>• Data Analysis continues.</li> <li>• IDP Steering Committee sits to discuss issues identified during Analysis Phase</li> <li>• Prioritisation of needs and draft strategic objectives</li> <li>• IDP Rep Forum (Analysis , sector departments and parastatals)</li> <li>• Tariff review by departments</li> <li>• Draft Annual report to council</li> </ul>	13 October 2011 26 – 28 October 2011 10 -14 October 2011 3 October 2011 3 – 14 October 2011 October 2011	All departments Strategic Manager's Office: IDP Manager Municipal Manager BTO COO
<b>NOVEMBER 2011 (OBJECTIVES &amp; STRATEGIES PHASE)</b>			
IDP, Budget	<ul style="list-style-type: none"> <li>• Develop Vision, objectives, strategies and</li> </ul>	10 -14 October 2011	Councillors and relevant

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PROCESS	ACTIVITY	TIME FRAME	RESPONSIBILITY
and PMS	<p>programmes. (Strategic Planning session)</p> <ul style="list-style-type: none"> <li>• Development of Key Performance Areas/ primary operational plan for the new cycle.</li> <li>• Departmental Budget inputs</li> <li>• Community and Stakeholder consultation on the proposed tariffs</li> <li>• Draft Annual report submitted to AG</li> </ul>	1 – 15 November 2011 1 – 18 November 2011 30 November 2011 November 2011	Stakeholders BTO BTO COO
<b>DECEMBER 2011 (STRATEGIES – PROJECT PHASE)</b>			
IDP, Budget and PMS	<ul style="list-style-type: none"> <li>• Develop list of projects</li> <li>• Design projects/ programmes and set project targets and indicators</li> <li>• Report on objectives, strategies and draft projects .</li> <li>• IDP Steering Committee (strategies)</li> <li>• Compilation of Mid-term report</li> </ul>	1 – 15 December 2011 14 December 2011 End December 2011	Municipality All sector departments Strategic Manager's Office : IDP Manager COO
<b>JANUARY 2012 (PROJECT – INTEGRATION PHASE)</b>			
IDP, Budget and PMS	<ul style="list-style-type: none"> <li>• Project prioritisation</li> <li>• Sector Forums and various portfolios sit for project priority list)</li> <li>• IDP Steering Committee</li> <li>• IDP Rep Forum to align projects and programmes of LMs, sector departments and parastatals.</li> <li>• Submission of Capital Budget with Cash flows</li> <li>• Mid-year assessment and recommend budget adjustment</li> <li>• Budget Adjustments tabled to the council</li> <li>• Revise SDBIP in accordance with adjusted budget</li> <li>• Review all aspects of 2011/2012 budget including any unforeseen and unavoidable expenditure in the light of need and adjustment budget</li> <li>• Mayor tables the 2010/2011 annual report to the council</li> </ul>	3 – 13 January 2012 17 January 2012 26 January 2012 3 -13 January 2012 31 January 2012 20 January 2012 30 January – 9 February 2012 31 January 2012	All departments/portfolios MM & HODs MM Mayor All departments BTO, Directors All Departments All Departments Mayor

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PROCESS	ACTIVITY	TIME FRAME	RESPONSIBILITY
<b>FEBRUARY 2012 (INTEGRATION PHASE)</b>			
IDP, Budget and PMS	<ul style="list-style-type: none"> <li>Submission of Sector Plans</li> <li>IDP Steering Committee – draft IDP</li> <li>Finalise 2012-2013 detailed operational and capital budget</li> <li>Finalise budget policy and tariff policy</li> <li>Consolidation of draft 2012-2013 annual budget</li> <li>Publicise 2010-2011 annual report and invite comments from communities</li> <li>Submit report to AG, Provincial Treasury and DLGTA</li> <li>Mid-year performance reviews</li> <li>Departmental Sub-mission of Draft SDBIP for 2012/2013</li> </ul>	15 February 2012 29 February 2012 24 February 2012 17 February 2012 6-29 February 2012 29 February 2012	All departments Strategic Manager's Office: IDP BTO COO All Departments
<b>MARCH 2012 (APPROVAL PHASE)</b>			
IDP, Budget and PMS	<ul style="list-style-type: none"> <li>Draft IDP and Budget tabled to Council</li> <li>Draft IDP and Budget adopted by Council</li> <li>Approval of 2010/2011 oversight report on the annual report</li> <li>Adoption of the 2010/11 annual report</li> <li>Submission of the term report to the council</li> </ul>	15 March 2012 29 March 2012	Strategic Manager's Office: IDP Manager Mayor Municipal Manager
<b>APRIL 2012 (APPROVAL PHASE)</b>			
IDP, Budget and PMS	<ul style="list-style-type: none"> <li>Publicise/ advertise the IDP and Budget Road show schedule.</li> <li>IDP and Budget Road shows</li> <li>Draft IDP and Budget advertised for comments</li> <li>Draft of new scorecard for Sec 57</li> </ul>	2 April 2012 10 – 20 April 2012 10 – 30 April 2012	Communications Speaker's Office Strategic Manager's, CFO: IDP Manager
<b>MAY 2012 (APPROVAL PHASE – FINAL IDP &amp; BUDGET)</b>			
IDP, Budget and PMS	<ul style="list-style-type: none"> <li>Incorporation of community inputs into the IDP and Budget.</li> <li>Mayor tables 2012/13 IDP and Budget to Council for final adoption.</li> </ul>	7 – 11 May 2012 29 May 2012	COO's Office: IDP Council
<b>JUNE 2012 (POST APPROVAL PHASE)</b>			
IDP, Budget and PMS	<ul style="list-style-type: none"> <li>Summary of the IDP and Submission to the MEC</li> <li>Public notice on adoption of IDP &amp; Budget.</li> </ul>	01-15 June 2012 4 – 12 June	IDP Unit COO

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PROCESS	ACTIVITY	TIME FRAME	RESPONSIBILITY
	• Draft SDBIP & performance agreements	2012	

#### **2.4 IDP and SDBIP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

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The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five strategic objectives mentioned above.

The 2012/13 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 17 : EC156 Mhlontlo -MBRR Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	G oa l	Go al Co de	R ef	2008/ 9	2009/ 10	2010/ 11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audit ed Outco me	Audit ed Outco me	Audit ed Outco me	Origin al Budg et	Adju sted Budg et	Full Year Forec ast	Budg et Year 2012/ 13	Budg et Year +1 2013/ 14	Budg et Year +2 2014/ 15
R thousand												

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Allocations to other priorities														
Total Revenue (excluding capital transfers and contributions)			2											
			1	-	-	-	-	-	-	-	-	-	-	

Table 18 : EC156 Mhlontlo - MBRR Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	
R thousand													

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Allocations to other priorities												
Total Expenditure	1	-	-	-	-	-	-	-	-	-	-	

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Table 18 : EC156 Mhlontlo - MBRR Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Go al Co de	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audite d Outco me	Audite d Outco me	Audite d Outco me	Origina l Budget	Adjust ed Budget	Full Year Forec ast	Budg et Year 2012/13	Budg et Year +1 2013/14	Budg et Year +2 2014/15
R thousand			A									
			B									
			C									
			D									
			E									
			F									
			G									
			H									
			I									
			J									
			K									
			L									

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		M	N	O	P									
Allocations to other priorities		3												
Total Capital Expenditure	1	-	-	-	-	-	-	-	-	-	-	-	-	-

#### **2.5 Measurable performance objectives and indicators**

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information and in terms of the Municipal Systems Act, municipalities are required to prepare organisational performance management system (OPMS) that is linked to the IDP. Mhlontlo Municipality is currently in the process of finalising the OPMS and this has been incorporated into this IDP Process Plan. The PMS process will address the following issues:

- Alignment of the PMS, Budget and IDP processes;
- Implementation of individual performance management system at managerial level.

The IDP, OPMS and budget are all components of one overall development planning and management system. The IDP sets out what the municipality aims to accomplish, and how it will do this. The PMS enables the municipality to check the

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extent to which it is achieving its aims. The budget provides the resources that the municipality will use to achieve its aims.

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 19 : EC156 Mhlontlo - MBRRTTable SA7 Measureable performance objectives

Description	Unit of measurement	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audit ed Outco me	Original Budg et	Adjus ted Budg et	Full Year Forec ast	Bud get Year 2012/13	Bud get Year +1 2013/14	Bud get Year +2 2014/15
Vote 1 - vote name										
Function 1 - (name)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
Function 2 - (name)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
Vote 2 - vote name										
Function 1 - (name)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										

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Function 2 - (name)							
Sub-function 1 - (name)							
<i>Insert measure/s description</i>							
Sub-function 2 - (name)							
<i>Insert measure/s description</i>							
Sub-function 3 - (name)							
<i>Insert measure/s description</i>							
<b>Vote 3 - vote name</b>							
Function 1 - (name)							
Sub-function 1 - (name)							
<i>Insert measure/s description</i>							
Sub-function 2 - (name)							
<i>Insert measure/s description</i>							
Sub-function 3 - (name)							
<i>Insert measure/s description</i>							
Function 2 - (name)							
Sub-function 1 - (name)							
<i>Insert measure/s description</i>							
Sub-function 2 - (name)							
<i>Insert measure/s description</i>							
Sub-function 3 - (name)							
<i>Insert measure/s description</i>							
And so on for the rest of the Votes							

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### **2.6 Performance indicators and benchmarks**

The following table sets out the municipalities main performance objectives and benchmarks for the 2012/13 MTREF.

Table 20 : EC156 Mhlontlo - MBRR Table SA8

Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audit ed Outc ome	Audit ed Outc ome	Orig inal Bud get	Adju sted Budg et	Full Year Fore cast	Pre-audit outc ome	Bud get Year 2012 /13	Bud get Year +1 2013 /14	Bud get Year +2 2014 /15
<b><u>Borrowing Management</u></b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Safety of Capital</u></b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Liquidity</u></b>											
Current Ratio	Current assets/current liabilities	0.5	1.3	1.6	-	-	-	-	-	-	-
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.5	1.3	1.6	-	-	-	-	-	-	-
Liquidity Ratio	Monetary Assets/Current Liabilities	0.3	0.3	0.3	-	-	-	-	-	-	-
<b><u>Revenue Management</u></b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		240.9 %	1716. 4%	14.6 %	155.0 %	122.5 %	122.5 %	0.0 %	104. 3%	104. 6%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			241.2 %	1750. 8%	14.6 %	155.0 %	122.5 %	122.5 %	0.0 %	104. 3%	104. 6%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	5.2%	26.4 %	35.9 %	0.0%	0.0%	0.0%	0.0%	9.4 %	9.8 %	10.2 %
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b><u>Creditors Management</u></b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA's 65(e))										
Creditors to Cash and Investments		-68.7%	- 52.1 %	- 264.7 %	0.0%	0.0%	0.0%	0.0%	0.0 %	0.0 %	0.0 %
<b><u>Other Indicators</u></b>											

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Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source										
Employee costs	Employee costs/(Total Revenue - capital revenue)	38.4%	53.3 %	49.5 %	321. 2%	198.7 %	198.7 %	0.0%	41.1 %	41.9 %	41.4 %
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	146. 6%	268.1 %	268.1 %		51.7 %	52.6 %	52.0 %
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	74.1 %	31.1 %	31.1 %		2.6 %	2.6 %	2.5 %
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0 %	0.0 %	0.0 %
<b>IDP regulation financial viability indicators</b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	23.2	9.2	-	-	-	-	16.4	15.3	16.2	
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services (Available cash + Investments)/monthly fixed operational expenditure	149.2%	506.0 %	1689. 0%	0.0%	0.0%	0.0%	0.0%	145. 7%	151. 5%	163. 7%
iii. Cost coverage		(1.8)	(3.5)	(1.1)	0.0	0.0	0.0	-	0.4	0.7	1.4

**Borrowing Management :** Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. Mhlontlo has limited the funding of its capital program to capital grants receivable and use of own revenue in the 2012/2013 MTREF

## 2.7 Overview of budget related policies

## 2.8 Councillor and Employee related cost

Table 21 : EC156 Mhlontlo - MBRR Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Councillors (Political Office Bearers plus Other)</b>	1	A	B	C	D	E	F	G	H	I
Basic Salaries and Wages					9 188	5 353	5 353	5 140	5 499	5 912
Pension and UIF Contributions					59	2 385	2 385	2 860	3 060	3 290

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Medical Aid Contributions				788	945	945	899	961	1 034
Motor Vehicle Allowance				1 108	2 806	2 806	2 875	3 077	3 307
Cellphone Allowance				658	680	680	647	693	744
Housing Allowances				18	18	18			
Other benefits and allowances				20	20	20			
<b>Sub Total - Councillors</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>11 801</b>	<b>12 207</b>	<b>12 207</b>	<b>12 421</b>	<b>13 290</b>	<b>14 287</b>
% increase				-	3.4%	-	1.8%	7.0%	7.5%
<b>Senior Managers of the Municipality</b>	<b>2</b>								
Basic Salaries and Wages				3 236	3 262	3 262	3 257	3 501	3 764
Pension and UIF Contributions				453	445	445	482	519	557
Medical Aid Contributions				280	241	241	177	190	205
Overtime							-	-	-
Performance Bonus							-	-	-
Motor Vehicle Allowance	3			701	697	697	478	514	553
Cellphone Allowance	3			168	168	168	161	173	186
Housing Allowances	3			193	179	179	108	116	125
Other benefits and allowances	3				32	32	39	42	45
Payments in lieu of leave									
Long service awards									
Post-retirement benefit obligations	6								
<b>Sub Total - Senior Managers of Municipality</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>5 031</b>	<b>5 023</b>	<b>5 023</b>	<b>4 703 (6.4%)</b>	<b>5 056</b>	<b>5 435</b>
% increase				-	(0.2%)	-	7.5%	7.5%	7.5%
<b>Other Municipal Staff</b>									
Basic Salaries and Wages				18 513	18 513	22	24	26	
Pension and UIF Contributions				2 116	2 116	761	467	286	
Medical Aid Contributions				1 903	1 903	4 089	4 394	4 720	
Overtime				693	693	5 917	6 355	6 825	
Performance Bonus				-	-	371	399	429	
Motor Vehicle Allowance	3			2 286	2 286	3 788	4 071	4 376	
Cellphone Allowance	3			301	301	620	666	715	
Housing Allowances	3			1 298	1 298	1 694	1 819	1 954	
Other benefits and allowances	3			2 810	2 810	4 078	4 366	4 687	
Payments in lieu of leave						200	215	231	
Long service awards									
Post-retirement benefit obligations	6								
<b>Sub Total - Other Municipal Staff</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29 920</b>	<b>29 920</b>	<b>43</b>	<b>46</b>	<b>50</b>
% increase				-	-	-	518	753	222
							45.4%	7.4%	7.4%
<b>Total Parent Municipality</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>16 833</b>	<b>47 151</b>	<b>47 151</b>	<b>60 642</b>	<b>65 099</b>
							28.6%	7.3%	7.4%
<b>Board Members of Entities</b>				-	180.1%	-			
Basic Salaries and Wages									
Pension and UIF Contributions									
Medical Aid Contributions									
Overtime									
Performance Bonus									
Motor Vehicle Allowance	3								
Cellphone Allowance	3								
Housing Allowances	3								
Other benefits and allowances	3								
Board Fees									
Payments in lieu of leave									

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Long service awards	6									
Post-retirement benefit obligations										
<b>Sub Total - Board Members of Entities</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
% increase	4	-	-	-	-	-	-	-	-	-
<b><u>Senior Managers of Entities</u></b>										
Basic Salaries and Wages	3									
Pension and UIF Contributions	3									
Medical Aid Contributions	3									
Overtime	3									
Performance Bonus	3									
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave	3									
Long service awards	6									
Post-retirement benefit obligations										
<b>Sub Total - Senior Managers of Entities</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
% increase	4	-	-	-	-	-	-	-	-	-
<b><u>Other Staff of Entities</u></b>										
Basic Salaries and Wages	3									
Pension and UIF Contributions	3									
Medical Aid Contributions	3									
Overtime	3									
Performance Bonus	3									
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave	3									
Long service awards	6									
Post-retirement benefit obligations										
<b>Sub Total - Other Staff of Entities</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
% increase	4	-	-	-	-	-	-	-	-	-
<b>Total Municipal Entities</b>		-	-	-	-	-	-	-	-	-
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>		-	-	-	16 833	47 151	47 151	60 642	65 099	69 944
% increase	4	-	-	-	-	180.1%	-	28.6%	7.3%	7.4%
<b>TOTAL MANAGERS AND STAFF</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 031</b>	<b>34 944</b>	<b>34 944</b>	<b>48 222</b>	<b>51 808</b>	<b>55 657</b>

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Table 22 : EC156 Mhlontlo - MBRR Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

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							-	-
Total for municipal entities	8	-	-	-	-	-	-	-
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION		52	5 139 569	3 486 329	2 905 665	-	11 531	563

**2.9 Contracts having future budgetary implications**

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Budget & Treasury Office.

The following is the list of contracts

Table 23 : EC156 Mhlontlo - MBRR Table SA32 List of external mechanisms

External mechanism Name of organisation	Yrs/ Mths	Period of agreement 1.	Service provided	Expiry date of service delivery agreement or contract	Monetary value of agreement 2.
		Number			R thousand

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### **2.10 Municipal Manager's Quality Certificate**

I, Yolisa Ndima , Municipal Manager of Mhlontlo Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Y. Ndima (Ms)

**Municipal Manager of Mhlontlo Municipality (EC 156)**

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Signature

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Date